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MARKETING AND UTILIZATION

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EXTENSION SERVICE

REVIEW

Davis Named Administrator

Dr. Lloyd H. Davis was recently named Administrator of the Federal Extension Service, succeeding Dr. E. T. York, Jr., who is now Provost for Agriculture at the University of Florida in Gainesville.

In making the appointment, Secretary of Agriculture Orville L. Freeman cited some challenges that face Cooperative Extension:

"American agriculture faces problems and opportunities that challenge the educational capacity of the Cooperative Extension Service. Our great progress in the production of food and fiber has released agricultural resources—land, capital, people—for the production of other things. There is a rapidly growing demand for recreational services these resources can produce."

(CONTINUED ON BACK COVER)



The Extension Service Review is for Extension educators—in County, State, and Federal Extension agencies—who work directly or indirectly to help people learn how to use the newest findings in agriculture and home economics research to bring about a more abundant life for themselves and their communities.

The Review offers the Extension worker, in his role of educational leader, professional guideposts, new routes, and tools for speedier, more successful endeavor. Through this exchange of methods, tried and found successful by Extension agents, the Review serves as a source of ideas and useful information on how to reach people and thus help them utilize more fully their own resources, to farm more efficiently, and to make the home and community a better place to live.

ORVILLE L. FREEMAN
Secretary of Agriculture

LLOYD H. DAVIS, Administrator
Federal Extension Service

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EXTENSION SERVICE

REVIEW

Official monthly publication of Cooperative Extension Service: U. S. Department of Agriculture and State Land-Grant Colleges and Universities cooperating.

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EDITORIAL

Do you speak Dutch?

Neither do I.

If you did speak it fluently you might be in Amsterdam, The Netherlands, this month. Not sightseeing. But explaining American farming to visitors to the U. S. Food and Agriculture Exhibition for Western Europe. County Agent Dick Machiele of Ottawa County, Michigan was the one chosen to assist in the Special Exhibits Area. Here are the reasons:

County Agent Machiele, whose parents were both born in The Netherlands, is as fluent in Dutch as in English. Besides that he has had long experience in working with Dutch-speaking farmers in the Holland-Zeeland Area of Michigan. His assignment in Amsterdam includes talking with visitors on the problems of American agriculture in general, the role of State and county fairs in our agriculture, and the role Extension and other services play in helping the American farmer increase his efficiency.

Another big doing in Amsterdam this month is a European-American Symposium on Agricultural Trade. This is under the sponsorship of USDA and cooperating U. S. food and agricultural industries. This is an informal exchange of ideas among some 500 leaders from Western Europe and the United States on the ins and outs of trade in farm products. These leaders represent agriculture, industry, consumers, science, labor, education, and government.

With 1 out of 5 acres of U. S. farm production going into export, these two events in Amsterdam are local news in a good many counties.—WAL

Education in Marketing and Utilization

MARKETING AND UTILIZATION OF AGRICULTURAL products is defined as "services and activities connected with changing the form of goods and moving them from producer to consumer." It includes everything done with the agricultural commodity from the time it leaves the farm gate until it is in the hands of the consumer.

Extension utilization work is concerned with the change in forms of goods and is, of course, a part of marketing. It involves assistance to processors and manufacturers in the evaluation and application of research on new product developments, new or improved processing methods, and new uses of existing products.

Objectives and Responsibilities

This program provides educational information which assists those making marketing decisions to answer for themselves the questions: (1) What is the problem? (2) What are the alternatives? (3) Which alternative is best?

Programs in marketing are conducted with producers, assemblers, processors, distributors, and institutional and household consumers; they provide both economic and technological information, based upon the latest research results, necessary to sound decisions in assembling, processing, and distributing agricultural products. The objective is to contribute to improvements in the marketing of agricultural products. More specifically, the objectives of Extension marketing and utilization programs are: To provide a better understanding of all phases of marketing which will allow farmers, consumers, and marketing firms to adjust to changes in technology, supply, and demand; to reduce the cost of marketing farm products; and to expand the uses of farm products.

The Cooperative Extension Service is under firm obligation to carry out educational programs in marketing and utilization. This obligation stems from the basic legislation establishing Extension work; the traditional role of the Extension Service in USDA and in the Land-Grant Colleges; and the accepted responsibility of the Extension Service to farmers, business firms, and the general public. Extension, likewise, has a legal mandate

for the conduct of marketing work. Furthermore, the legislative Hearings, prior to the passage of the Smith-Lever Act of 1914, left no doubt that Extension was expected to conduct aggressive marketing programs.

Extension's responsibilities were made more specific in the Agricultural Marketing Act of 1946 and again confirmed by Congress in 1953. The Agricultural Marketing Act of 1946 states in part: "The Congress hereby declares that a sound, efficient, and privately operated system for distributing and marketing agricultural products is essential to a prosperous agriculture and is indispensable to the maintenance of full employment and to the welfare, prosperity, and health of the Nation."

Marketing of agricultural products in the United States involves more than 1 million firms and employs over 10 million workers. Over 135 million tons of foodstuffs are moved and transformed each year for which civilian consumers spend over \$62 billion. In addition, the marketing system handles nonfood agricultural products, such as cotton, tobacco, and feed grains, worth several billions more.

The people engaged in marketing sort, grade, process, and sell; they establish prices at all levels within the system which facilitate the physical movement of products through the market channels and, in turn, reflect the demands of consumers back through the marketing system to producers. All of us expect the system to do its job well. It is in the interest of producers as well as consumers that the marketing job be done efficiently and that prices be fair and equitable to producers, marketers, and consumers.

Efficiently serving the needs of an increasing population is a challenge to the marketing system as are increases in services, upward movement in wages, and increased transportation costs. Marketing costs have risen, as a result, but the increase has not been as great as it would have been if efficiencies had not taken place as well. But, research findings are available which, if applied, can make the marketing system more efficient. It is for this reason that Cooperative Extension recognizes its responsibility in disseminating and assisting in the application of research findings, both economic and

technological, which lead to the solution of marketing problems and result in the development of a more efficient marketing system.

History

Extension marketing programs, first developed in the 1920's, were conducted primarily with producers to help them with their marketing decisions as well as to help groups of farmers to assemble their products in larger volume and with greater uniformity and to work cooperatively in performing these functions. Such programs were logical because farmers played a greater role in the actual marketing of agricultural products. Today there is little contact between the individual producer and the consumer. Individual farmers are performing fewer of the marketing and processing functions although each must still decide what, when, where, and how to market. In addition to the production unit, some farmers may also have a marketing unit. They may do their own grading, packaging, and transporting; however, few still do the whole marketing job. The major exception are those many farmers who, through their own cooperatives, jointly perform marketing functions which each individually could not do.

Informational Assistance to Individual Producers

Market information is necessary, along with information about production factors, in considering the *what* and *when* questions of production. The *what* decision may require heavy farm investment; in this case, a decision requires a knowledge of the longrun market demands for the commodities which are alternatives to the producer. If there are production alternatives in the short-run, market information is still needed but changes in market demands generally have less effect on price changes than supply considerations. For the question of *when* to produce, some of the types of marketing information are mentioned below.

With respect to the marketing decisions of what, when, where, and how to market, producers need numerous types of information from the marketing system which can be incorporated with other information on their particular production unit in deciding among the marketing alternatives. This includes present and probable prices in alternative markets and seasonality of prices. They need to know the market demand, both foreign and domestic, for the various qualities of a particular product and probable returns by different methods of marketing.

Assistance to Producer-Groups

There are a number of important problem areas which require decision making by an aggregate of producers and which have impact beyond the individual farm. Most of these problem areas relate to the economic position of farmers. Price-support programs, market orders and market agreements, bargaining associations, and cooperatives are examples of different methods in which producers have a voice when attempting to improve their price and income situation. These methods are beyond the production stage of agriculture. By these methods,

group decisions (e.g., a market order referendum) generally determine whether any action will be taken and, if so, which one. Extension work in marketing has recognized these types of problems as being among the most critical and challenging.

Work with Marketing and Processing Firms

A substantial portion of Extension's marketing work is conducted with management of those firms who perform one or more of the marketing functions of assembling, processing, or distributing. This includes programs with producers who maintain a marketing unit along with a production unit and who process, package, or market directly to consumers. This latter group, however, represents a relatively small portion of all marketings. Of more importance in terms of volume are the producer-owned cooperatives (over 20 percent of all agricultural products are marketed at one stage or another by cooperatives) and the individually- and corporately-owned marketing organizations. All are marketing firms; their principal difference is in the form of business organization and not in the marketing functions performed.

Extension Program Areas

Many managers of cooperatives and other marketing firms are recognizing the need for further training in management skills. A number of State Extension Services conduct educational programs of a management-training type designed to help managers better understand and more effectively fulfill their duties such as planning, organizing, directing, coordinating, and controlling. Such programs have been well accepted by managers and have led to greater study and application of both economic and technological research findings in their decision making.

Training programs for boards of directors and executives are also being developed. At present, these are oriented primarily for cooperatives. Such programs are designed to improve the understanding of the boards' responsibilities and to develop proficiency in fulfilling them. It is necessary that boards of directors comprehend how the management duties relate to the board and understand management processes, procedures, and tools in order to effectively perform their role as part of the management team.

Management must, of necessity, make long-range plans; these may be made through intuition or they may reflect a serious study of the important factors necessary in considering alternatives in planning the future. Long-range planning may be a "one time" effort or may allow for a constant adjustment in plans with new knowledge.

Thus, this work involves educational assistance which will contribute to their identifying and evaluating the most important factors in making long-range plans. Market analysis is essential. This may involve educational assistance in analyzing present and probable future market demands for the products in question, market demands for alternative products, interregional competition, probable future costs and supplies of raw

products, changes in market structure and behavior. It may also involve decisions with respect to diversification, both long- and short-term investment, new types of processes, optimum size of facilities, and location. The above is necessary if the feasibility of alternative investment opportunities is to be evaluated.

In addition to the previously mentioned marketing educational work which applies to all rural areas, considerable work is oriented more specifically to assisting local rural groups, including RAD committees in evaluating the feasibility of alternative processing and marketing facilities. Both economic and technological information is made available relative to the market potentials for specific products, potential competition from other regions and other products for a particular area, and costs by various sizes of facilities. This is used along with information pertaining to the economics of production of alternative farm enterprises.

All industries have made great technological strides. In many cases, technological advances have resulted in the reduction of unit costs and larger incomes as marketing firms have increased in size. A substantial shift in market power has resulted. The remaining and still large number of small firms engaged in marketing are facing increasingly intense competition.

Some State Extension Services conduct educational programs with marketing firms. These assist them in evaluating their per-unit costs, and cost changes which would result from changes in volume and sizes of facilities. They also consider costs in competing areas, long-run demands for the agricultural products in question, and other factors significant to firm adjustments. For some smaller firms this has led to mergers and consolidation in order to develop more efficient and competitive marketing organizations.

A number of State Extension Services conduct programs directed at assisting management of agricultural marketing firms to improve plant efficiency through the application of research results. This includes also their evaluation of external factors which influence efficiency. Programs involve educational assistance of many types. For example, it may involve the analysis of financial statements, improvements in accounting systems, evaluation of equipment and alternative equipment which might better suit the needs, relocation of equipment, design of facilities, improvement in work methods, changes in procurement, purchasing procedures, and other information relevant to evaluating alternatives for reducing costs. Educational assistance is also to aid management in the selection, training, and supervision of employees.

Utilization Work

In recent years there has been an increase in both economic and technological research. One of the areas receiving substantial emphasis is utilization research; also included is some economic research aimed at evaluating the potentials of new developments. Farmers, processors, manufacturers, and the general public are greatly interested in the research and Extension efforts in utilization.

Extension educational work in utilization is underway in a number of areas. The following are some examples: Research information is being disseminated relative to scientific developments in the chemical treatment of cotton that will enable cotton to gain a wider acceptance in the apparel, household, and industrial fields. In progress is educational work with textile firms in the application of new scientific developments in textile engineering including: Opening, cleansing, carding, spinning, and weaving in order to improve cotton cloth quality and to reduce costs. Work is underway with paper manufacturers on the use of cereal starches and flours to improve the wet-and-dry-strength of paper as well as to improve other properties of paper products. Limited, but increasing, work has been initiated in forest products utilization on the application of new and improved processing methods, the development of new products, as well as assistance to wood-using industries in utilizing better local species; this area is currently receiving additional emphasis. Also, there is a great deal of utilization work with processors of dairy products, poultry, meat, fruits, and vegetables.

Educational work in utilization is being conducted by both the State Extension Service and by Federal Extension Service specialists working closely with the regional USDA utilization laboratories. The latter work directly with appropriate processing firms. In this area of Extension work, the number of firms is often not sufficient in any one State for the State Extension Service to employ a full-time, highly-specialized staff member.

Marketing Information of Assistance to Consumers—Ours is a consumer-oriented economy. In a broad sense, consumers dictate what is to be produced and marketed through their purchases in the market. Research and Extension work is in process on changes in consumer demands, preferences, and attitudes with respect to agricultural products.

This consumer direction can only work best if consumers are themselves informed and, information from the marketing system is a necessary ingredient in today's consumer purchasing decisions. As a part of the total Extension marketing programs in a number of States, marketing, technological, and economic information is developed on agricultural products and services, as well as on the role of the marketing system. This marketing information is generally used by those in Extension home economics programs in their work with consumers; it also is generally disseminated by mass media to the consuming public.

Marketing Programs with Rural Youth—Some of the State Extension Services are conducting programs with rural youth aimed at helping them understand the marketing system and the functions performed by different types of marketing firms. Management of marketing firms cooperate in explaining the operation of their businesses and the place where their businesses fit in the total marketing framework. These programs provide a basis for rural youth to understand the marketing system and to analyze their career potentials in those businesses closely allied with agriculture.

Regional Approach

Many marketing problems have no State or county boundaries. Personnel in two or more States are now cooperating in the development of information and teaching materials which will be of value in solving problems in the several States concerned. This arrangement of cooperation among State Extension Services allows the use in more than one State of persons highly specialized in a particular area. Not only does it contribute to stronger programs but it allows economies in the development of specialist staffs.

Regional Extension marketing committees also have been established in three regions and another is being established in the fourth. These committees are helping to further Extension marketing work. They have helped point out regional marketing problems on which the States can cooperate. They have helped identify areas of subject-matter needs and encouraged cooperative efforts in the preparation of teaching materials of value to the States concerned. And they are contributing significantly to the general strengthening of Extension marketing work.

Interdisciplinary Approach

A wide variety of specialist competencies is necessary in furthering Extension's present-day marketing work. These include training in such areas as: Economics, sociology, industrial management, industrial engineering, business administration, chemistry, and bacteriology. State and FES persons are increasingly giving emphasis to becoming more highly skilled in their special disciplines and at the same time gaining a more complete understanding of the contribution his co-workers can make to a particular problem. No longer can one person cover the entire marketing field. In fact, no longer can one person be sufficiently acquainted with all aspects of the problems of even a single firm to be able to develop and help apply appropriate marketing information.

Both the State Extension Services and the Federal Extension Service are following, through identical procedures, an approach whereby marketing problems are identified and information from the appropriate scientific disciplines is used in determining and appraising alternative solutions. This means a team effort on the part of the marketing staff. Additionally, because of the interrelationships between different Extension projects there is also involved appropriate cooperation among persons in different projects. Extension marketing specialists may contribute to the work of those in other Extension projects; likewise, personnel in other Extension projects may contribute to the development of information which will help solve marketing problems.

In other words, it requires a total and unified Extension effort. All in the Cooperative Extension Service can and do play a role in the development, dissemination, and application of economic and technological marketing information in the solution of marketing problems. All can and do contribute to Extension's objectives in improving the agricultural marketing system. ■

Division of Marketing and Utilization Sciences, Federal Extension Service.

BOOKS

Two books on cooperatives will soon be off the press. Both are a new approach to the field of cooperative literature. Each provides valuable information for Extension workers and is particularly suited to the needs of county offices.

FARMERS IN BUSINESS by Dr. Joseph G. Knapp, American Institute of Cooperation, Washington, D. C.

Dr. Knapp, Administrator of Farmer Cooperative Service has devoted almost 40 years to the development of farmer cooperatives. His book brings together many of his talks and articles.

It places in perspective the importance of cooperatives in our marketing system. Unlike some books, it is of specific value to those—county agents particularly—who do not devote a major share of their time to cooperative problems. It will assist this group in answering questions frequently raised about cooperatives.

Farmers in Business is a well-organized book taking up the critical areas of 1) The Nature of the Cooperative Enterprise, 2) Organization and Operation, 3) Lessons From Experience, 4) Challenges and Problems, and 5) The Road Ahead.

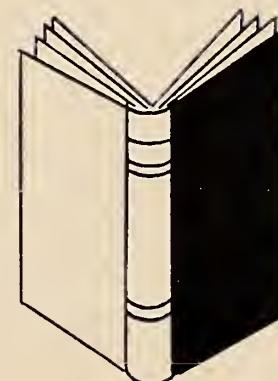
The section on Lessons From Experience is significant because it can serve as a valuable guide to growth and development today.

Considerable focus is placed upon the management team—board of directors and manager. This emphasis is consistent with Extension's educational programs with cooperatives today.

COOPERATIVES, PRINCIPLES AND PRACTICES by Dr. E. P. Roy, Interstate Printers and Publishers, Danville, Illinois.

Dr. Roy, Professor of Agricultural Economics at Louisiana State University, is an outstanding leader in research and teaching of cooperation.

He puts together a text dealing with all types of cooperatives and their foundations. It includes the philosophy upon which cooperation is based to current technical problems facing cooperatives. The book is a comprehensive compilation of all types of information about cooperatives. It is most valuable as a reference to Extension workers.—*Paul O. Mohn, Economist, Federal Extension Service.*



by G. ALVIN CARPENTER
Extension Economist
California

NO SUBJECT in the entire field of economics is more controversial than the drive for, the exercise of, and the consequences of gaining more market power.

Farmers, labor unions, and business firms of all types are working continuously to achieve greater bargaining power. In today's economic environment, it is the means of achieving satisfactory sales, profits, and income. Each group is trying to improve its position.

How is greater bargaining power obtained? One important way is by changing the organization and structure of markets where products are bought and sold. Certain structural characteristics listed below help to explain some of the differences in market power.

1. Degree of concentration of purchases of raw products in a given industry.
2. Conditions of entry into the industry, such as economies of scale, capital requirements, and other natural and artificial entry barriers.
3. Types and degree of integration used by producers and/or processors.
4. Extent of product diversification and concentration of sales used by different companies.
5. Institutions, habits, and conventions developed by buyers and sellers.
6. Geographic concentration of production.

Of all these factors, the principal characteristics of an industry which attract most attention today among farmers are the degree of concentration of purchases and the use of vertical integration. Changes in market structure become important when they affect the kind and quality of competition existing, when they affect the terms of trade on which farm products and other farm supplies are bought and sold, and when they affect the output, prices, costs, and profit position of firms and industries.

Extension Work With Bargaining Groups

Many changes are taking place in the structure of markets for farm products. We have heard much about integration in food marketing. A grower-to-grocer movement has been developing. Processing, distributing, and retailing functions have merged, combined, associated, coordinated, unified, centralized, and nationalized to the point that agricultural producers often find themselves at a distinct disadvantage in selling their products. Farmers and organizations selling for them have been facing a drastic reduction in the number of buyers and a corresponding increase in size of buying units.

Historically, American farmers have been concerned with their relative power in the markets. To improve their position they have, in many instances, formed supply and marketing cooperatives. These cooperatives have been of two basic types: (1) *Operating*—those that physically handle the product, and (2) *bargaining*—those

that bargain on prices and other terms of sale but normally don't replace handlers. Extension workers generally have been in the forefront in aiding with the organization and development of both types.

In general, farmers, have used their operating cooperatives to try to overcome the power of buyers and sellers by bypassing them in the market, providing more and better services and reducing profit margins, or making such margins available to farmers through their cooperatives. Farmers belonging to these cooperatives have, in fact, become their own retail suppliers and first handlers. Farmers belonging to bargaining associations, on the other hand, have tried to improve their market position by counteracting the power of buyers with increased power of their own. Bargaining associations have developed through horizontal integration of producers of specific commodities into single bargaining groups. Through this means, certain well-organized groups have discovered they can create an effective force to deal with few but large buyers.

At present there are in the United States approximately 50 fruit and vegetable bargaining cooperatives (not counting those groups affiliated with American

IMPROVING THE BARGAINING POWER OF COOPERATIVES

Farm Bureau). About half of them are located on the Pacific Coast, with 11 in California. Six of these are fruit associations, three are vegetable associations, and two are olive groups.

If you could look behind the scenes as these associations were organized, in almost every case you would find an Extension worker in a key position. Either the county agent or the Extension marketing specialist, or both, were instrumental in organizing the groups, helping them to understand their problems, making them aware of opportunities for cooperation, and assisting them with organizational know-how and encouragement to get started. Such vigorous, educational leadership has been the responsibility of the Extension Service for a long time. It is still a great responsibility.

Type of Assistance

Bargaining associations in themselves are not a cure-all for the farmers' problems. Bargaining for the price of a commodity must be based upon sound economic decisions. Some of the most important assistance given by Extension personnel to bargaining association groups has

been helping them to understand the nature of the market structure and the competitive situation facing them. Too often, associations have started with great enthusiasm and promise only to end in discouragement and failure, principally because they attempted too much without having prepared the ground well and did not have enough factors under control.

University personnel have attempted to aid bargaining groups in better understanding the competitive position they occupy and how that position might be improved through sound organizational structure and improved bargaining techniques. Bargaining power is the product of many forces which vary with circumstances and changing economic conditions. Because of inability to control all of these conditions equally well, it is practically impossible to have a market situation where both sides have equal bargaining power. The final negotiated price and other terms of contract depend on the relative bargaining power of the producer group on the one hand and the processor or buying group on the other.

It follows, therefore, that all factors tending to influence the bargaining power of either side become important in the determination of price. Every disability that characterizes farmers' cooperatives has an adverse effect upon bargaining strength. Every disability that can be overcome will have a favorable effect upon bargaining strength. Educational activities of Extension and other University personnel with respect to bargaining associations in California have been directed toward understanding market conditions, overcoming weaknesses, and helping to analyze adequately the factors for success in bargaining negotiations. More specifically, these activities have included the following.

1. Analyzing the economic need and possibilities for effective bargaining.
2. Assistance in analyzing and understanding the basic factors necessary to successful bargaining.
3. Assistance in educational work to inform prospective members concerning objectives of the association and its operations.
4. Assistance in developing sound organizational and legal structure that will meet the requirements of State and Federal statutes as well as association needs.
5. Assistance in providing up-to-date economic and market information so as to give necessary aid and guidance to bargaining negotiations.

In California, some of the most important assistance rendered by the University to bargaining associations has been in the form of price analysis, usually conducted by research workers and sometimes by Extension workers. Reports have been prepared periodically for commodity groups engaged in bargaining activities. These reports have supplied background information to help establish supply-price relationships and the nature of the demand for the product; to help management ascertain the volume that likely would move through market channels at different price levels for domestic and foreign uses; and also to report the seasonal nature of demand for the product and the possible influence of substitutes at various price levels. Answers to these and

other related questions are very important in the negotiating process.

Basic information developed through price analysis reports of the University enables management of bargaining groups to make a more realistic appraisal of how far they can expect to go with their bargaining. These studies, of course, have been available to both processors and producer groups and have been instrumental in bringing more accurate and detailed information into the bargaining negotiations of both sides.

In many instances, University personnel have consulted with officers and management of bargaining groups on various problems, such as the strength and limitations of bargaining associations, what they may logically expect to accomplish through bargaining efforts, organizational goals and methods, interpreting research findings as they apply to specific operations, and providing other forms of technical assistance aimed at improving effectiveness.

Extension personnel have participated in many training conferences for management and other cooperative personnel to assist in improving management, membership relations, customer relations, and other activities.

Improving Market Power

Growers are interested primarily in bargaining cooperatives as a means of improving the price per unit they receive for their crops. While these associations often have increased grower prices and contributed to the stability of prices over time, emphasis has been given also to benefits from other aspects of bargaining, for example, negotiations on the conditions of sale which also directly or indirectly affect returns to growers. With the increasing trend toward specification buying, negotiations on such items as grades and grading, time of harvest and delivery, service and material charges, and the method and schedules of payment are also important.

Market power can be achieved in various ways: Through improving quality, by earning greater acceptability for the product, and by doing a better job of supplying the market with what it wants. Market power can be improved through greater knowledge of the marketing process itself. Considerable market power can be achieved through control over the rate at which the product reaches the market, so that it gets to the right buyers at the right time. There is also market power in diverting the product into various uses. And there is power in developing a reputation for honesty and fair play, and establishing a negotiation climate that will bring processors to the bargaining table in a negotiating mood in which they are less likely to discriminate against the association because of its efforts to achieve group strength. These are some of the points which Extension workers have emphasized and can continue to emphasize with bargaining groups to help them improve their market power.

More specifically, the colleges have assisted and can assist bargaining cooperatives in areas of establishing authoritative benchmarks for management, operating and production costs, developing more comprehensive outlook,

supply, and related market data, evaluating competitive situations, developing more objective grade standards and sampling methods, engineering technology, and quality control. Assistance in effecting mergers and consolidations of marketing and supply cooperatives also can assist greatly in developing more countervailing market power to compete better under conditions of concentrated buying.

Bargaining cooperatives are not the answer to all market situations. In some cases, joint action of growers in the direction of vertical integration, such as cooperative processing, seems more feasible. Marketing orders and agreements, joint promotional activities, as well as other types of cooperative effort also have a place in the marketing of food products. But the need for countervailing power at the grower level often can be built on horizontal integration of many farm firms through the formation of bargaining associations. In some cases, the bargaining associations may provide the foundation essential for the success of a processing or other type cooperative. A bargaining cooperative may complement the operation of a processing or marketing cooperative when the bargaining association is strong and effective. It is in a position to establish the base price for the commodity. Then the processing or marketing cooperative is in a position to return to its patrons the bargaining association's basic price plus the savings that can be realized from the operation of the processing or marketing cooperative.

Collective bargaining is one important method of giving farmers a voice in establishing the price and terms

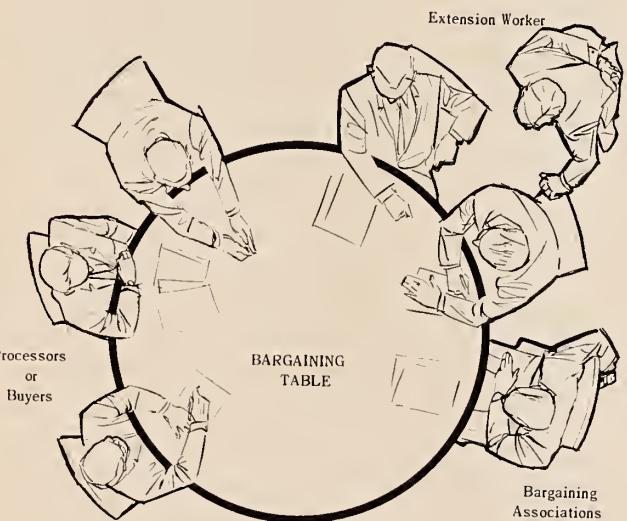
of sale for their product—in other words, improving their market power. Collective bargaining tends not to stifle competition but to improve it between producer groups and processor groups. It may serve to protect the producer against monopsony (control at the buying end) by the processor and, on the other hand, to prevent disastrous competition among unorganized growers. It enables farmers to provide themselves with many services essential to efficient production and distribution which are not otherwise available. Farmers, as a group, can make economical use of specialized personnel and skill which they, as individuals, could not acquire at all or only at high cost. Farmers can give full attention to problems of production with confidence that a market will be available with prices fair and equitable.

Processors, too, can have advantages through soundly organized and effective bargaining associations. They can reduce overlapping services and realize net savings in field work and in contracting. Processors can have greater assurances of supplies for their operations and gain satisfaction from the fact that uniform price and grading practices are established for all buyers alike. The pressure for making "special deals" to hold producers is thus reduced. Processors and growers can unite to better advantage to produce and process products of the highest quality.

Looking to the Future

In the realm of organized labor, collective bargaining definitely has established its place as an effective method to improve the economic status of workers. In certain segments of agriculture where monopsonistic elements are the rule rather than the exception, bargaining associations have a definite role to play in improving the status of farmers. Where effective control over membership volume can be secured and when effective bargaining techniques are utilized, the association can have considerable influence in determining price and other contract provisions. The tendency to try to force temporary, unwise price increases is their greatest danger. Wise, well-informed leadership is vitally important to their continued success.

In the past, Extension workers have contributed greatly to the development of leadership in these associations. As some of the early problems of organization and operation were solved and as management became more experienced and proficient, some have wondered about the need for assistance from Extension workers. In many cases, associations have developed very capable and experienced leadership, often more highly specialized in the strategies of competitive business than University personnel were. Where this is the case, if Extension workers are to continue to render effective service to bargaining associations and other cooperatives, they must keep abreast of developments and become more specialized in dealing with current problems faced by such associations in a rapidly changing business world. The need for effective Extension assistance is still there, but the type of problems and the approaches to their solution may have changed. The challenge for Extension workers to meet these problems is greater than ever. ■



A Bargaining Association must have: positive control of tonnage, market information, bargaining know-how, membership support, recognition as sole bargaining agent for producers, and realistic price and contract demands.



North Carolina proves the effectiveness of the interdisciplinary approach to problem solving.

In 1776 a British economist named Adam Smith wrote *The Wealth of Nations*. A central idea in his book is that division of labor in industry improves productivity. Smith made three key points concerning the division of labor. (1) Returns to division of labor are large because the individual is permitted to concentrate his attentions on a relatively simple task. As a result, he develops a higher degree of proficiency and has a better chance of inventing new and better ways of doing the job.

farmer and market his products.

These firms are numerous, and many are sizable operations. The functions which they perform and the decisions which they make require the use of a wide variety of skills. More important, developments in technology and in organizational and operating skills and their adoption by firms is rapid. An effective Extension program to help these firms to make knowledgeable decisions requires a high level of competence in a number of disciplines and the inventiveness to apply this competence to a variety of situations. The disciplines involved are diverse and the skills required complex, so that an individual is more efficient if he specializes in a single discipline. The demands for services of Extension personnel with training in specialized disciplines are large enough that each can be fully employed.

Following Smith's first two points, we might say that in Extension marketing and utilization work, returns to division of labor are large and the extent of the market justifies employment of people with training in specialized disciplines. But what about Smith's third point? Is cooperation among Extension specialists from different disciplines necessary? If so, to what extent and under what circumstances? And how is cooperation achieved?

The Need Varies

The extent of interdisciplinary cooperation needed in marketing and utilization depends primarily on two things: The type of clientele and the type of business decision involved.

Type of Clientele—A business firm which has a staff of well-trained specialists usually provides an internal mechanism by which it assimilates information from the several disciplines and makes decisions. An Extension worker can best communicate information through his counterpart within such firms. In assisting firms which employ few if any persons with highly specialized skills, it is usually desirable to coordinate



A North Carolina sawmill had to make the choice between burning slabs and sawdust, or chipping slabs for pulp.

by J. C. WILLIAMSON, JR.
Assistant Director of Extension
North Carolina

information from several disciplines for easier use by management and operating personnel.

There is a tendency for the amount of specialized skills employed to vary directly with the size of business. Consequently, the need for interdisciplinary cooperation tends to be less in larger firms.

Type of Business Decision — For present purposes it is useful to think of two extreme types of decisions made by business firms. These are *marginal* and *total* decisions. Marginal decisions are those which affect only a single operation. For example, a vegetable processor decides between the use of glass jars and cans. Total decisions are those which may require changes in any or all of the firm's operations and in its organization. For example, a milk handler decides whether to sell the plant to another firm or to continue operations on one of several bases.

As a general rule, the extent of interdisciplinary cooperation is needed least in providing information to business firms for use in making marginal decisions. The extent of teamwork needed is greatest in providing information for use in making total decisions. Most business decisions fall somewhere in between these two extremes and so does the degree of interdisciplinary teamwork needed. *However, current rapid changes in technology and in organizational and operating skills and the present status of development of marketing firms require a high degree of interdisciplinary cooperation in the total Extension program if it is to be effective.*

Interdisciplinary Cooperation

In most Extension organizations, there is a tendency for the programs of individual disciplinary departments to be autonomous. Individual workers also enjoy a large degree of independence. This independence has its advantages. It encourages individual initiative. Further, it encourages the specialist to become proficient in his chosen discipline. The major disadvantage is that this type of organization relies on informal cooperation among departments, and informal cooperation alone has not been adequate.

Individuals and their departmental leadership frequently do not seek the cooperation of people in other disciplines. The major reason is lack of understanding about the contribution other disciplines can make toward the solution of problems. Stated differently, many specialists are inclined to "go it alone" because they do not know how their colleagues can be of assistance. This means that people in the different disciplines must become better acquainted. An additional reason for lack of informal cooperation is competition among departments.

The full advantages of interdisciplinary cooperation can only be realized through formal cross-departmental teams established by administration above the departmental level. As the preceding discussion suggests, the need for teamwork varies. Further, the disciplines involved and the relative amounts of time needed from each, vary. Consequently, these teams should be organized only to tackle areas of work which are well identified and which can best be handled through a formal team. Such teams should be continued only as long as there is productive work for them.

Formal cross-departmental teams do not meet all of the needs for interdisciplinary cooperation. This is true primarily because there are many educational needs of a short-run nature or that require cooperation between only two individuals. These would never be dealt with if they relied on the formal team approach. Individual specialists and departmental leaders should be encouraged to handle these problems informally. One of the best ways to accomplish this is through the establishment of formal teams as described above. Team experience provides an opportunity for the different specialists to observe each other at work and to learn to appreciate one another's skills.

One of the hazards encountered as people gain experience in interdepartmental cooperation is that of "hybridization." That is, a specialist begins to feel that he has learned enough to perform functions in another discipline. Then he begins to work in that discipline, discontinues

cooperative efforts, and the quality of the educational program deteriorates. A continuous review of interdepartmental programs and cooperation is necessary to avoid this.

An Example of Teamwork

The recently concluded Agricultural Marketing Act contract on wood utilization by the North Carolina Extension Service took the formal team approach. The primary purpose of the contract was to develop a pilot educational program for work with the sawmill industry.

In developing this pilot educational program, a team consisting of two wood technologists and an economist was used. The technologists defined the physical possibilities or alternatives in different sawmill operations. The economist applied his special skills to these physical specifications to develop guides for use in choosing among alternatives. This combination of skills from the two disciplines made efficient use of the talents from both. Each specialist was able to concentrate upon the best possible application of his specialized tools. A simple example illustrates the way in which the team worked.

One of the problems faced by sawmill operators in recent years has been that of disposing of slabs and sawdust. They could use an incinerator to burn this material or they could debark, chip the slabs, and sell the material to a pulp manufacturer. The Extension team developed material to assist sawmill operators in choosing between these two alternatives. First, the technologists specified the physical requirements—machinery, equipment, power, and labor—needed in each alternative. Using these physical requirements and market cost and price information, the economist developed guides for deciding which alternative is most profitable at any given sawmill.

This formal team worked effectively in getting the immediate job done. At the same time, each member of the team learned to appreciate the advantages of cooperation and the contribution which the other discipline could make. These specialists can be counted upon to recognize the need for cooperation from the other discipline and to request it. ■

OPPORTUNITY and OBLIGATION



■ EXTENSION WORKERS have an unusual opportunity and an obligation to carry on educational work regarding foreign trade.

Foreign trade permits a nation to use its resources most efficiently, and thus to provide the highest possible standard of living for its people. Many persons, however, have a half-inverted view of foreign trade. They believe that exports bring wealth and prosperity, but that imports cause unemployment and depress our standard of living. They, therefore, support policies to restrict imports and thus work against our Nation's best interests. Consequently, there is a great need for education to create a better understanding of the reasons for foreign trade and its benefits.

Extension should carry on a major educational program concerning foreign trade. It has broad authority from Congress to do educational work in all subjects relating to agriculture, and foreign trade is intimately related to agriculture. Extension has better contacts with many groups than do other educational agencies. It has resources for this work.

Our agriculture is more dependent upon foreign markets than is any other major industry in the United States. Exports of agricultural products totaled \$5 billion in each of the past 2 fiscal years; nearly a fourth of all exports.

The story of EXTENSI

by L. H. SIME
Extension Econ.
Agricultural Po
Illinois

Foreign markets provide important outlets for many of our agricultural products. A large share of every major cash crop is exported. Exports of leading crops in 1963 as percent of farm sales were as follows: Wheat 60 percent, rice 58, soybeans 45, sorghum grain 27, corn 24, barley 23, cotton 23, and tobacco 21.

The figure for wheat includes the grain equivalent of flour exported, and the figure for soybeans includes the bean equivalent of oil exported. The total value of the exports of these crops was more than \$3.5 billion.

In 1963 the leading agricultural exports were as follows:

Commodity or group	Million dollars
Wheat and flour	1,158
Feed grains, excluding products	737
Oilseeds and vegetable oils	778
Animals and animal products	604
Cotton, excluding linters	492
Tobacco, unmanufactured	378
Fruits and preparations	280
Rice	164
Vegetables and preparations	162

Exports of agricultural products have increased greatly in the past 20 years, and further increases are

possible. The average annual volume of exports has been more than three times as great in the 1960's as it was before and during World War II.

It is interesting to note that exports were relatively low during World War II. Submarine warfare and other military activities restricted ocean traffic. After the war, exports were stimulated by our foreign aid programs, rapid economic development—especially in Europe and Japan, and by our agricultural surplus disposal programs.

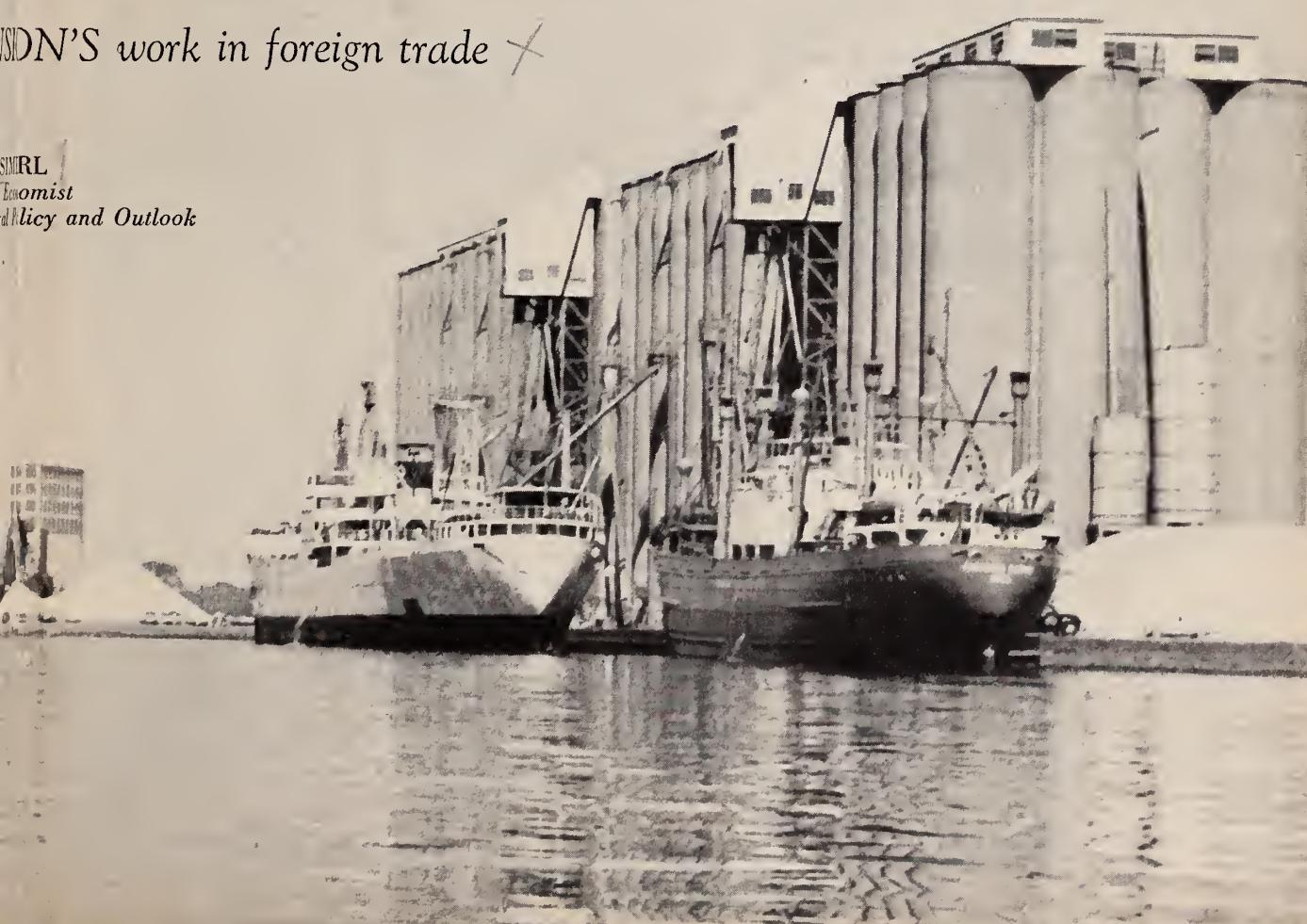
Many people seem to believe that most of our agricultural exports are gifts to foreigners. On the contrary, most of our exports are sales for dollars and at full market prices. In fiscal 1963 foreign buyers paid cash for \$3.6 billion of our farm products. They took another \$1.5 billion worth under the Food for Peace program.

The sales of our agricultural products in foreign markets helps to provide us with cash for the purchase of many essential and desirable products from other lands. They thus reduce the foreign demand for our gold stocks, which provide essential backing for our currency.

The biggest foreign markets for our farm products are Japan, Canada, the United Kingdom, West Germany, and the Netherlands. All of these countries are cash buyers. India is the largest non-cash market.

SDN'S work in foreign trade ✕

SDN
Economist
Policy and Outlook



The following tabulation shows the amounts of agricultural exports to 15 countries in fiscal 1963. They took 70 percent of the total that year.

Country	Mil. dols.	Country	Mil. dols.
Canada	517	Spain	134
Japan	511	Yugoslavia	127
United Kingdom	367	Pakistan	125
India	348	Belgium	119
Germany, West	347	Korea, Republic of	111
Netherlands	344	Brazil	109
Italy	173	France	85
UAR-Egypt	149		

The exports billed to Canada included nearly \$100 million of products that were eventually sold in other countries. Exports to the six European Common Market countries—West Germany, The Netherlands, Italy, Belgium-Luxembourg, and France—totaled \$1,070 million. This was over one-fifth of our total agricultural exports.

We commonly think of exports as benefiting the producers of the commodities. But there are many other advantages. We will mention only a few.

In the early years of our Nation, exports of agricultural products provided the foreign exchange needed to purchase essential manufactured items from Europe. Our exports also provided much-needed capital to develop our own industries.

Export traffic stimulated much economic development along its routes. This traffic was very important in the growth of many cities such as New York, Baltimore, Buffalo, Chicago, Duluth-Superior, St. Louis, Galveston, and New Orleans.

Foreign trade both stimulated and was aided by most of our major transportation developments. Examples are the railroads, the development of navigation on our major rivers, and the St. Lawrence Seaway.

A little-known advantage of the shipment of grains on our waterways is that it permits lower rates on commodities which are back-hauled. Examples are iron ore to midwest steel mills, fertilizer, sulphur, and salt from south to north.

Our agricultural exports also help people in many foreign lands. They undoubtedly were a major factor in maintaining freedom in Western Europe and Japan after World War II. More recently they have helped the people of developing countries—such as India, Pakistan, Yugoslavia, Spain, Poland, Turkey, Israel, Uruguay, and Iceland. Our sales for dollars also enable our trading partners to live better.

Extension work in foreign trade can have many objectives. We suggest that some of these should be to help interested people to gain a better understanding of the following subjects.

plus disposal programs, foreign aid, and our international relations.

5. The place of imports in international trade and our standard of living.

The groups that are especially interested in foreign markets and international trade include farmers, handlers and processors of farm products, distributors of farm supplies and equipment, schools, and civic organizations. Special mention should, perhaps, be made of women's groups.

None of these groups is more important than farm people. In most States they are the principal audience of Extension. They have a vital interest in imports as well as exports. They still have an exceptionally strong voice in National affairs.

Handlers and processors of agricultural products are directly interested in foreign trade, as are producers and distributors of farm equipment and supplies. Like farmers, these groups are quite influential in the formation of National policies.

Many service clubs offer opportunities to reach community leaders in a wide variety of fields. Women's groups often take foreign trade as a special study project, sometimes on a State or National basis. Debate and discussion groups in schools have chosen topics relating to international trade.

Many phases of agricultural production and marketing are involved in foreign trade. Hence, most Extension workers can and should make an important contribution to an educational program. Leadership for certain projects may be assigned to a specialist or other individual.

County workers, both men and women, perform two roles. They bring specialists and their materials to the county people. They also have many opportunities to do useful educational work relating to foreign trade in connection with programs that are primarily directed to other ends.

Production specialists should be especially well informed about the problems associated with the export of their crop or livestock specialty. In many cases they are better informed on these problems than are the public affairs specialists.

Marketing specialists are well qualified to take the lead in many Extension programs in foreign trade. The same principles apply to sales in other countries as to those in the United States.

Foreign buyers, like domestic consumers, want products that are of high quality and uniformity; are free from damage, contamination, and disease; are readily available at all times; and are priced competitively. Thus almost all Extension projects and workers make important contributions to foreign trade, and have opportunities to do educational work on related subjects.

All of the usual educational methods used by Extension can be used for foreign trade subjects. There is no need to discuss them here. However, a mention of some available materials may be helpful.

The Agricultural Outlook Chartbook prepared each fall by the USDA contains much valuable statistical material for talks and articles on our agricultural exports. Many Extension workers receive free copies. Additional books

can be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C., 20402.

The charts can be cut out to illustrate articles for newspapers, magazines, and other publications. They are also available in 5 x 7 and 8 x 10 photographic prints, 18 x 24 wall charts, and 2 x 2 slides in color or black and white. Prices and instructions for ordering are given in the chartbook.

Current and historical statistics including up-to-date analyses of the current status and outlook for U. S. agricultural trade are published by the USDA in a periodical "Foreign Agricultural Trade of the United States." This is available to Extension workers on request.

There are many good (and bad) printed materials concerning the economic principles and problems of foreign trade. Of special interest to Extension workers is a set of six pamphlets with the general title "World Trade, What Are the Issues?" The subjects of the individual pamphlets are: 1. Why Trade with Other Nations? 2. Balance of Payments, 3. Reciprocal Trade Agreements, 4. The Common Market, 5. Food For Peace, and 6. Can Exports Solve the Farm Problem?

The publications were developed by Extension workers with the aid of Economic Research Service personnel. They were prepared under the joint sponsorship of the Farm Foundation, National Committee on Agricultural Policy, the Agricultural Policy Institute at North Carolina State College, and the Center for Agricultural and

Economic Adjustment at Iowa State University. Most States obtained a substantial supply.

In Illinois we have not tried to make a spectacular project out of foreign markets. Rather, we use material about foreign trade in many of our regular programs.

We have given talks, illustrated with colored slides (charts and photos) before our Extension specialists and county workers, farm organization leaders, members of the grain trade, and many county and local groups.

We have prepared and distributed several "outlook letters" on foreign trade. These have a direct circulation of over 12,000, are reprinted in most of the State's newspapers, and are recorded on tape and broadcast by 50 to 60 radio stations.

We have prepared discussion outlines and materials for use by speakers at meetings of service clubs and other organizations in Chicago and other Illinois cities. On the basis of past experience, we will reach 50-100 organizations and 3,000-5,000 business and professional leaders with the story of the importance of foreign trade to our National welfare. The same materials will be made available to county workers for their programs.

Foreign markets are important to our entire agricultural industry. There is much misunderstanding about foreign trade, and this offers Extension an opportunity to participate in an unusually important educational program. ■

This article is based on material prepared by L. F. Stice, Extension Grain Marketing Economist, Illinois.

research in marketing and utilization -- Basis for Extension Educational Programs

by RAYMOND C. SCOTT, Director
Division of Marketing and Utilization Sciences
Federal Extension Service

UNTIL a few years ago the image of Extension marketing work was that of helping a farmer to sell his product. Wool pools and livestock auctions were developed and coops of chickens were collected at some shipping point to provide a "market" with county agents and specialists often helping to carry on many of the functions. The relationship between research and Extension staffs was often a remote one.

This is generally no longer the case. As agriculture has become more specialized and farms have increased in size, these functions have been taken on by specialized agencies which could handle them more efficiently.

These agencies or organizations in the form of country auctions, shipping point markets, or country buyers—along with the farmers and the firm supplying inputs to agriculture—have become what is generally recognized as the agricultural business complex. We are recognizing more and more that these operations are interrelated and that efficiency in one segment of the industry may be equally as important as efficiency in another segment in the competitive struggle between regions of the United States and foreign competitors to supply food and fiber for our people and for foreign markets.

These developments provided the setting within which

the Extension Marketing and Utilization Program developed during the postwar era. Today the State Extension Services employ about 500 marketing and utilization specialists who are engaged in most phases of the work in which our research colleagues are involved, and a closer relationship exists between research and Extension staffs.

There has also been a marked expansion of utilization and marketing research work in the Land-Grant Colleges, the USDA, and in private industry. The USDA budget for marketing and utilization research has increased from \$25.6 million to \$42.9 million during the past 5 years. For fiscal 1963, utilization research made up 69 percent or \$29.6 million of the total marketing and utilization research budget.

The purpose of the Marketing Research Program has generally been to increase the efficiency of moving America's farm products from the producer to the consumer and to reflect back to those engaged in both production and marketing, changes in consumer demands which should be taken into account in the development of production and marketing programs. This work has included market analysis, market structure, and work on efficiency of the firm. Utilization research, much of which is conducted by the Agricultural Research Service and the Forest Service, has as its purpose to expand and develop new industrial, food, forest, and feed products and processes from the products of America's farms and forests. The work has been divided into basic research dealing with chemical, physical, and biological properties of products; development of research on new processes and products; and engineering pilot plant operations to adapt new laboratory products and processes to commercial practices. It would appear that the tendency to place more emphasis on basic research in marketing and utilization exists both in the Land-Grant Colleges and the USDA.

The marketing work of the State Departments of Agriculture has also been expanded during the postwar era. They have the responsibility for service work—doing things for people. For example, grading must be done on a continuous basis. Research, on the other hand, was defined to include analysis of data and the collection of special data for particular studies. And Extension work was defined as education, involving teaching its clientele how to do things for themselves.

Traditionally we have thought of Extension's role as one of taking research out to the people in an effort to create understanding or to "spread the word." On the other hand, the Extension staff has attempted to "create a market" through the establishment of an auction or by other means. Much of the early marketing education was done by county agents.

In recent years many changes have taken place, however, in programs to meet changing needs. As the marketing specialist staff has been expanded, a larger proportion of the staff members have worked directly with firms engaged in assembling, processing, and distributing agricultural products. The work has become highly specialized dealing with areas such as pricing, management,

and various commodity marketing fields. County agents are still carrying on some marketing, and great opportunities exist for them in areas such as work with co-operatives and their members and reflecting to farmers changes in demands in the market. But much of the work of the specialist is and will likely continue to be with marketing and processing firms in an effort to help these firms solve their problems based on a wide array of research being developed throughout the United States.

The closer relationship with research and the changing nature and character of Extension marketing programs in recent years has resulted in a definite trend toward more emphasis on the use of the problem-solving approach in our educational programs. Our objectives have become more specific and our accomplishments more evident as we have focused our attention on solving specific programs rather than providing general information on a wide area of subjects.

An illustration of the specific and problem-solving nature of educational work in marketing is the activity of many State Extension Services and the Federal Extension Service directed to reducing high costs of milk distribution. Analysis has shown that distribution costs account for about 50 percent of total operating costs for each 100 pounds of milk and cream processed and distributed. Costs of distributing milk and cream, therefore, rank even ahead of processing costs (38 percent of operating costs) as a major cost item, and thus represent the most significant potential area for increasing fluid milk marketing efficiency. In this situation, constant innovation and adjustment in the milk distribution function is occurring in markets across the country. In a cooperating effort between dairy marketing specialists at Pennsylvania State University and Cornell University, an educational program incorporating (a) breakeven analysis techniques for retail and wholesale routes, (b) utilization of time standards in route management, (c) customer profitability analysis, and (d) alternative possibilities for improving retail and wholesale distribution, has been developed and presented to milk distributors in a series of workshops. Evaluation of this program has revealed the profitable implementation of several of the techniques by milk dealers in attendance.

As we have placed more emphasis on the problem-solving approach, the Extension staff has become engaged more and more in the interdisciplinary approach, since much of our research frequently relates to some phase of a problem or series of related problems rather than dealing specifically with the solution of the problem under consideration. Administrators in many of the Land-Grant Colleges are orienting their research efforts to more basic studies; the Extension specialists are now devoting more time to applied studies oriented toward specific problems. Extension efforts in the applied studies thus provide information specifically needed in the solution of identified problems of the clientele with whom they work. The orientation toward basic studies by researchers and applied studies by Extension has resulted in an even closer relationship between them.

In our marketing educational programs we have first helped people define their problems, and secondly helped them to understand alternatives which they might consider in solving them. In doing so, we have not attempted to provide pat answers or prescriptions but to help people analyze the effects of various courses of action. In this way the management of the firm or members of the industry concerned come to their own conclusions, based on their individual situations, goals, and values.

The shift to the problem approach has been made possible and further developed as a result of interdisciplinary cooperation in the various Land-Grant Colleges and Universities. Reorganization of the project system which provided for staff members from various disciplines to participate in the development and conduct of projects has further contributed to this approach. In this man-

ner it has been possible to bring the benefits of research from several disciplines which bear on specific marketing problems and contribute toward educational programs aimed at helping people see and understand alternative solutions. Within this framework we do not and cannot expect our research colleagues to have the answers to all the problems on which we work. It means that we must take from many sources research which bears on a specific problem, frequently extend the work or analyze data needed in our educational programs to help people functioning within our private enterprise system to solve their problems and to contribute more fully to the growth and development of our country.

The marketing research and Extension staffs are functioning more and more as a team and all indications point to an even closer relationship in the future. ■

A Workshop for Co-op Directors

Because cooperatives are becoming more numerous and more important in the agricultural marketing scheme, we decided to learn more about a county agent's role in working with them. Here is an interview with Oregon's Victor W. Johnson, Umatilla County Extension Agent.

INTERVIEWER: Mr. Johnson, please describe the educational program you conducted with directors of agricultural marketing cooperatives in your county.

JOHNSON: We held an experimental workshop to train directors of two Umatilla County cooperatives last winter. The seminar-type workshop was geared to help boards of directors:

1. Better understand their own role in management;
2. be more effective;
3. better understand board-executive relationships;
4. establish effective objectives, goals, and policies;
5. appraise plans;
6. establish adequate controls;
7. identify sources of relevant information; and
8. achieve company growth through long-range planning.

On the first day of the workshop, we discussed "Directors, and How They Fit into the Business Organization." It was pointed out that individually a board member has little authority. Legal and social responsibilities of the board were outlined. This was followed by discussion of the total management concept, including how the board directs, how the board's role corresponds with management functions, and how boards of directors reach decisions.

Differences between objectives, goals, and policies were explained.

The first day ended with an explanation of how to

avoid board-executive conflicts by distinguishing between board and executive decision areas. Incidentally, we gave board members plenty of opportunity for discussion after the presentation.

The second day, we covered the role of the board in the planning and control functions. We discussed, as a group, how to identify key performance areas and key indicators to watch in each performance area.

The last day of the workshop, directors learned about the role of the board in business growth. Such questions were considered as how much the business should grow, how to plan for growth, and how to tell whether or not growth has occurred.

Other questions examined were "What Makes a Good Board?" and "What Makes a Good Director?" Again, the presentation was followed by group discussion.

At the conclusion of the workshop, I gave a completion certificate from Oregon State University Cooperative Extension Service to each director who had attended all three afternoon sessions. The certificate stated that the director had completed a training program in the responsibilities of boards of directors of agricultural businesses. It was dated and signed by the Associate Director of the OSU Extension Service and the OSU Extension Market Management Specialists.

INTERVIEWER: What competencies of you and your staff qualify you to conduct this type of educational program?

JOHNSON: Frankly, our county staff felt a lack of competency in this area of educating boards of directors. Therefore, we called in the "experts" to conduct the workshop. Our instructors were OSU's two Extension Marketing Management Specialists, Dr. Leon Garoian and Arnold F. Haseley. However, I now feel that the county staff can probably help teach in subsequent workshops for new directors.

INTERVIEWER: How was the need for this educational program identified? Was the need based on requests from directors themselves? Requests from management? Or did you see the need from your own experiences?

JOHNSON: The need was first identified by the manager of Pendleton Grain Growers, Inc., the largest farmers cooperative in Umatilla County and one of the largest and most successful cooperatives in Oregon.

Mr. Hill discussed the need with his directors, they concurred, and then we contacted Dr. Garoian and requested help from OSU. Dr. Garoian contacted the board of Umatilla Canning Company, a pea-processing cooperative, and they indicated an interest also. So it was decided to invite the boards of directors of both cooperatives to participate in the workshop.

INTERVIEWER: Some of the subject matter you covered at the workshop is considerably different from the traditional production and resource utilization programs that concern county agents. How do you account for your interest in these areas?

JOHNSON: Of course the basic information included in the workshop applies to all organization officers and committees through which effective Extension work in the county is accomplished.

For example, in assisting groups in systematic decision making, we as teachers and leaders raise the following points for examination and discussion in an effort to get sound decisions as to course of action:

1. What is the problem?
2. What are alternatives?
- and
3. Which alternative is best? And we have to be ready to ask discerning questions.

Actually, the workshop on the role and responsibilities of boards of directors in agricultural marketing businesses brought to me new concepts and expanded horizons.

Our instructors were well-versed in the subject matter, and also had spent much time researching and organizing the materials presented. I felt their presentation was highly effective. So did individual directors who participated in the workshop: several of them told me so later.

In fact, the subject matter presented would be helpful to boards directing private businesses dealing in agricultural commodities, agricultural credit, rural electric cooperatives, and many other associations and organizations that come to mind.

Reflecting on the problems confronting four of our irrigation districts in the county, for example, I feel that basic principles presented at our workshop would be very helpful to the boards of directors and managers of these water-distributing organizations.

INTERVIEWER: How can you justify this type of work in your total county Extension program?

JOHNSON: This is very good leadership training, and directors will make excellent contributions to our overall Extension program as a result. If directors recognize their responsibilities to management and membership and work toward carrying them out, improved performance should be evident and benefit the entire community and county.

INTERVIEWER: How can principles included in recognizing board and management responsibilities be applied in an overall county Extension program?

JOHNSON: It is my experience that the county Extension staff is most effective when objectives are clearly enunciated; policies defined; goals established; and good plans identified, made, and put to work through team effort.

In my opinion, the high priority area for a county staff member launching an educational program for directors would be that of selling them on the concept that there are aids and tools developed to help directors understand the board's role in managing business enterprises. If principles offered in such a program are understood, accepted, and put into action, the performance of the board and the business or organization represented should result in improvement and growth.

County agents are in constant touch with many cooperative directors, and are thus in a position to encourage application of these tools and aids. We also help new directors recognize their responsibilities as board members.

INTERVIEWER: When conferences or seminars are held for directors in your county what type of follow-up can a county agent provide?

JOHNSON: First, we can visit with directors to see how the new knowledge can be usefully applied. We tell directors at the beginning that the principles, tools, and concepts to be covered will prove useful in their own farming business as well as for their cooperative responsibilities.

Second, county workers can recognize opportunities for additional training with directors, and help arrange these.

Third, the county agent can periodically hold "refresh'er" discussions with directors, to help recall the many items of instruction. We recognize that directors will absorb and apply only a part of what they first discussed at the conference, and we can be helpful in building their knowledge through these informal visits at board meetings. ■—Oregon Extension Service.

Extension's Responsibilities In COMMODITY PRICE POLICY

A RECENT ANNOUNCEMENT BY the U. S. Department of Agriculture indicated that total investment of the Commodity Credit Corporation in price-support loans and inventories amounted to \$7.96 billion. About 25 important farm commodities were reported as being in either or both the loan and inventory categories.

The operating status of the Commodity Credit Corporation reflects one measure of efforts being directed to strategic problems existing in our rural economy. Unstable prices and low incomes have long been recognized as hardships felt by many farm families. Dynamic technological change and increased farm productivity have compounded these problems. Resource adjustment in agriculture has been unable to keep pace. Legislation, beginning with the Agricultural Marketing Act of 1929 and the Agricultural Adjustment Act of 1933, has fundamentally been directed to minimizing or eliminating these problems of price and income. Loans, purchase agreements, purchases, payments, acreage allotments, marketing quotas, and market orders together with a wide range of surplus utilization programs have evolved in this environment.

Fundamental to the development of acceptable and effective means of solving these economic and social problems is a clear understanding by all individuals and groups affected. They should have knowledge of the scope and extent of the problems, the desired objectives, and the probable effects of alternative methods which may be employed.

The State Extension Services and the Federal Extension Service have the massive responsibility of effectively and objectively communicating an understanding of these problems and alternatives. The educational responsibility goes far beyond that

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of simply providing information relative to a referendum or of eligibility for participation in a price-support program. It is more a responsibility of getting the problem and possible courses of action into a total perspective.

How serious are the price-income aspects of the problem? What segments of the farm population are affected? What characteristics of the commodity aggravate the situation? What are the supply and demand situations? How well have previous programs worked in the commodity area? What basic objectives would one hope to achieve—price-income parity, reduced program costs, an expanded commercial market, efficient resource adjustment? What reasonable alternatives exist? What would be the immediate effects of each alternative—the longer run effects? How would a producer's flexibility be affected? These are only a few of the significant questions that need the most complete answers possible in educational programs on commodity price policy.

Individual and aggregate considerations are equally important in the consideration of price-support program effects. The price and income impact on individual farmers must be recognized along with the cost of the program to all taxpayers. The limitations on resource use imposed on the farmer, and the response of consumers to possible changed prices under the program must both be noted. A number of specialists in

the Cooperative Extension Service are required to accomplish this educational job. The burden rests primarily with county agents in cooperation with Extension specialists in marketing, farm management, and public affairs.

The contributions of marketing specialists provide an essential dimension to the total educational effort in commodity price policy problems. Marketing specialists are familiar with the institutional aspects of the several farm marketing industries. Implementation of specific price-support programs may often be closely related to traditional marketing arrangements. Marketing specialists are also in a key position to evaluate the interregional and international competitive marketing aspects of alternative programs being considered.

In addition, analysis of effects on total marketings, commercial demand, and product utilization must necessarily be included in the weighing of alternative problem solutions. Cost, storage, and disposition considerations are further important ingredients in this decision-making process. Finally, consequences of a given type of price-support program on the marketing system may be an important element in the determination of an effective program.

The problem approach to Extension program planning quickly reflects the priority nature of problems in commodity price policy. The necessary educational effort is a challenging one. It is an effort of developing a climate in which individuals and groups can objectively define the problems and rigorously examine courses of action in terms of their own objectives and values. Only a coordinated and cooperating effort among Extension's resources can adequately respond to the complexities of this task. ■



A representative of Pittsburgh Plate Glass Company shows participants a tinted automobile windshield.

Youth and Business Back Town and Country Program

by DALE P. JACKSON
*Associate County Agent
Westmoreland County, Pennsylvania*

“WITH ENTHUSIASM” describes the way both youth and businesses have accepted the Town and Country Business Program in Westmoreland County, Pennsylvania.

What started out as a pilot program in 1960 has mushroomed into “a program that fills a need of our young people in giving firsthand experience in job opportunities and the free enterprise system in action,” according to John Arblaster, sales supervisor for the Lincoln District of the West Penn Power Company, one of the many business cooperators.

“This is exactly the program we’ve been looking for in marketing,” claims James Duerr, guidance counselor, of the Hempfield Joint Senior High School, and one of the program leaders.

A training short course at the Pennsylvania State University introduced our county personnel to the aspects of the program. After returning to the county, both the agricultural and home economics staff members were briefed and their cooperation sought.

Planning became the key to success: we made a plan and then worked on it. The following questions occupied our minds and discussions for several weeks.

What type of group should work on the program? Where will we recruit the young people? What type of cooperatives and other business places should be contacted? Where shall we meet and when?

At a planning meeting attended by Extension personnel and assistant 4-H Club leaders, we decided to draw membership from students of two area high schools—Greater Greensburg-Salem Joint High School and Hempfield Area Senior High School. These students would be new to the Extension program and would not necessarily include 4-H members. Since Westmoreland County is greatly urban, we hoped to attract urban as well as rural youth. We believed the primary purpose of the program was to give teenagers insight not only into

local business and industry but into their personnel requirements as well.

The secretary of the Greensburg Chamber of Commerce was quite enthusiastic after being introduced to the proposed program. He suggested many businesses that would cooperate and gave us a list of the persons to contact. He helped to compile a business list, and offered pertinent subjects or key points. Our first list of subjects and the cooperating persons and companies were:

Marketing and You—Area Extension Marketing Agent, Pittsburgh; *Retailing*—A. E. Troutman Co., Department Store, Greensburg; *Wrapping It Up To Sell*—Kroger Company; *Standards and Grades*—Pittsburgh Plate Glass Company; *Processing*—Coca Cola Bottling Company; and *Storage and Assembly*—Thorofare Supermarkets, Murrysville.

After our preliminary plans were made we invited assistant 4-H Club leaders, the Penn State area Extension marketing agent, principals and guidance counselors from the two high schools, representatives from each business, and county Extension personnel to a final planning session. At this meeting it was decided to select 30 junior class students from the several curriculums including commercial, academic, scientific, and general. These students would be of average I.Q. or above, with an equal number of boys and girls. Leaders chosen for the Town and Country Programs were the two guidance counselors of the high schools. They were selected primarily because they would be choosing the young people who would participate, thus making it more convenient in planning meetings.

Our next big step was the first meeting of participants, parents, business representatives, and Extension personnel. Once again the Town and Country Business Program was explained, and the first key meeting featured *Marketing and You*.

For the following 5 months representatives of each cooperating business met with the group, talked on their assigned subjects, and outlined the history of their concern including educational requirements for personnel, and financial returns to be expected. A week after the discussion meeting, another meeting was called for a group tour. Thorofare Supermarkets in Murraysville, Pennsylvania hosted the group to Pittsburgh so members could see the fruit auction, produce yards, the Fort Pitt Tomato Company warehouse, and have breakfast at the company headquarters.

Upon completion of the first year's program an evaluation meeting was held, certificates were awarded to each business, and to each member who participated in the training. Plans to improve the program and to have another group for the next year were discussed. Fourteen members were interested in a second year program, but since this group was then composed of seniors the majority of which were enrolling in colleges, we decided to continue work with a new, or first year group.

In 1961 we conducted a similar program, but the age of the participants was changed to tenth grade students so we would have an opportunity to work on the second year program. New businesses cooperating the second year were West Penn Power Co., sales and service and the Elliott Co. (Div. of Carrier Corporation), processing.

The group of participants was selected in the same way and was again composed of 15 from each school, with an equal number of boys and girls. At the end of our series of meetings and tours an evaluation meeting was again conducted. Only 11 participants were interested in the second year program, so we decided to delay the second year program and conduct another first year program. We then planned to combine the group for a second year program in 1962. Certificates, both for businesses and participants, were awarded.

In 1962 the program was once again instituted in a like manner, but a new business—Mellon National Bank, finance and risk bearing—was added for variety.

An example of how businesses cooperated with this program was the meeting with West Penn Power Company. A printed program was prepared for the group and the meeting was an all-day event. Members assembled at a restaurant at 10 a.m. and after introductions a 1½-hour skit was presented to tell the complete story of West Penn's activities. Following the skit, a buffet luncheon was served. The group then traveled to the Lincoln District headquarters of West Penn where a safety program, including equipment, was discussed and a tour of all facilities was made.

After completion of the year's schedule, an evaluation meeting found 23 members interested in a second year program.

This year the Town and Country Business Program consisted of a first year group of 28 members, with 18 from the Hempfield School and 10 from the Greensburg School. In our second year group we had 23 members.

The first year program included the following new businesses: Sears Roebuck Co., retailing; A & P Tea Co., packaging; and Bell Telephone Co., sales and service.

Each year we have had at least one planning meeting with interested parties, and a second meeting with participants and parents at which time the area marketing agent told the story of *Marketing and You*.

The program for the second year group planned by West Penn Power Company personnel was more complicated to maintain interest of the group. The account-

- The Town and Country Business Program for older youth is now in its third year of operation. It is gratifying to learn that many States have picked up the program as developed at the Pennsylvania State University.
- A recent survey of States indicates varying degrees of success, with the following observations reported.
- No pat formula exists for the development and operation of a Town and Country Business Program. It depends upon existing conditions within a State, the interests of the youth, the availability of leaders, and the type of businesses located within the area.
- Business firms continue to be interested in the program, even to the extent of requesting that such a program be continued. In one county in Pennsylvania, businessmen took the initiative in developing the Town and Country Business Program.
- The tremendous demand for time that faces the county Extension staff members is one of the hurdles to be overcome. In some States this has been done by developing local leaders to assume most of the responsibilities.
- Youth themselves are faced with tremendous competition for their time. Because of this, some believe the program should become a part of an already existing 4-H Club program, or that it should be conducted as part of the school program. Most States, however, are continuing with the original concept.
- The consensus from all States is that the program is worthwhile and deserves a greater degree of participation and support from youth leaders and Extension staff members. ■

—R. B. DONALDSON
Pennsylvania State University
Project Leader of Original
Town and Country Program

ing function was designed for the girls and the sales function for the boys. The program included talks titled "Everybody Sells," and "Selling is Telling." Talks were followed by discussions and a tour of the plant.

Participants were surprised when various businesses explained the employee benefits coupled with financial returns. Members were amazed at the opportunities open to employees with different educational backgrounds. Many of the young people talked of making plans to attend colleges and enroll in the business curriculum. In one case a student enrolled at Temple University in Business Administration and plans to enter the retailing field following graduation. He definitely felt this program had made him aware of the many opportunities in the



Left, after a meat-cutting demonstration, the A&P Tea Co. gave advice on retailing. Center, at the Elliott Co., members were shown a motor on the assembly line.



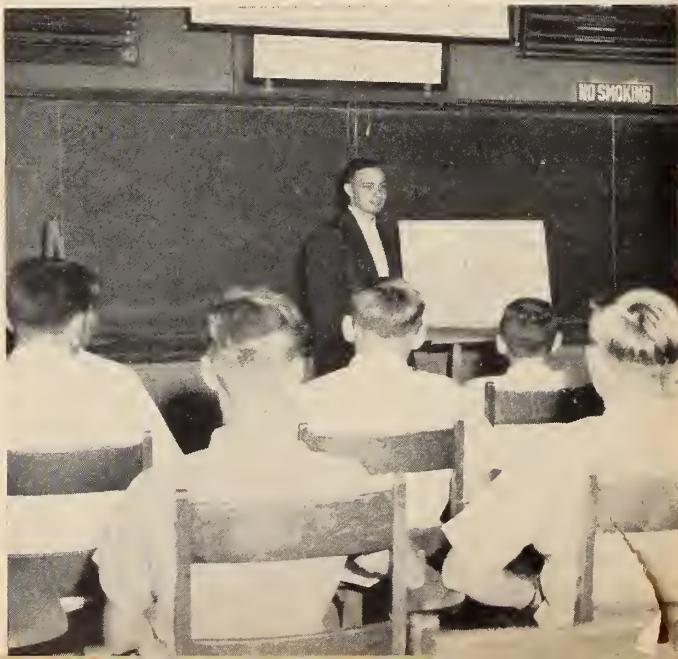
marketing field. The guidance counselors who are the leaders of the program stated that 64 percent of the participants are enrolled in an advanced school of one type or another.

Those of us who have participated in the Town and Country Business Program believe it has worked in very well with our Extension program. A completely new group of young people has been introduced to Extension and its many activities. The program has certainly pointed up a need for teenagers to learn more about educational requirements and opportunities for careers in their home area.

Town and Country has also brought the home economics Extension and agriculture Extension staff members closer together and closer to both schools and business. The program has also proved to us that leaders can conduct the activities without Extension aid after the meetings are underway. ■



Left, the store manager at Sears, Roebuck Co. explains the price-marking operation. Below, the classroom atmosphere in some of the meetings gives leaders a chance to outline plans and answer questions from the members.



by CHESTER E. SWANK
Economist, Marketing
Federal Extension Service

"**SOMETHING FOR EVERYBODY**" is an appropriate phrase describing the scope of educational work conducted by consumer marketing economics workers. This work deals with many marketing problems related to the production and marketing of agricultural products from the farm to the consumer.

A two-way flow of information is necessary for the marketing system to operate effectively and efficiently. Consumer marketing economics work is designed to improve this communication relative to consumers and the reflection of their needs and wants back through the marketing system.

making available to farmers and food processing and marketing firms, information on such factors as changes in purchasing patterns and consumer habits;

(2) Supplying food processing and marketing firms with information which will serve as a guide for analyzing and evaluating probable consumer acceptance of, and demand for, new products, marketing techniques and services, needed changes in existing products, and reaction to advertising and promotion programs.

Another area of emphasis pertains to those marketing problems which result totally or in part, from a lack of consumer knowledge of agricultural products, marketing services or

purposes, problems, and functions of the agricultural production and marketing system.

The solution to specific problems within the broad problem areas listed above often requires the contribution of many different Extension workers. For example, consumer research may indicate the need for producers to produce a different variety or type of a particular commodity. This information would then be reflected to Extension workers who work more directly with producers (county agents, agronomists, and farm management specialists, for example) who would discuss the desirability or feasibility of producing a different variety or type of product.

Consumer Marketing Economics

Consumer marketing economics work is oriented toward improving the efficiency of the marketing system by providing solutions to important marketing problems in two broad problem areas. One area is that involving marketing problems or potential marketing problems which are a result of inadequate knowledge of consumer demand, consumption patterns, purchasing practices, values, and preferences. Often, many potential marketing problems can be averted if more adequate information on consumer behavior is known. This information enables producers, processors, and marketers to provide the consumer with the kind and quality of products and services, in the form and at the time and place she wants it.

Educational work relative to this problem area includes the following:

(1) Analyzing, interpreting, and

functions, and other related factors. Consumers often lack sufficient knowledge to make rational purchasing decisions which will result in the most efficient marketing of agricultural products. Also, the effective reflection of consumer preferences and wants back through the marketing system is dependent upon a well-informed consumer. For example, this includes educational work oriented toward:

(1) Supplying consumers with up-to-date marketing information;

(2) Helping consumers evaluate supply and price patterns and other factors which influence the orderly marketing of agricultural products;

(3) Informing consumers about new products, marketing practices, and services which tend to improve marketing efficiency; and

(4) Developing a better consumer understanding and appreciation of the

Contrary to the image often associated with consumer marketing economics work, this area within Extension marketing relates to other clientele in addition to consumers. Depending upon the specific problem identified, the clientele may involve processors, food handlers, producers, or others involved in the production and marketing of agricultural products.

County agents (agricultural, home economics, youth, and others) are in an excellent position to assist in conducting this work. They are located where consumer marketing problems exist and can make a contribution in helping to identify and solve these problems. Communication channels exist which provide the means through which necessary subject matter can be disseminated to solve specific, identified marketing problems. ■

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Dr. Davis
(Continued)

"There are numerous opportunities for developing rural industries. Our land and water resources can be developed more fully to serve growing needs and provide local employment and income. Farm businesses face major adjustment problems with changing technical and economic conditions. There is a vast reservoir of initiative and leadership in rural areas for undertaking such redevelopment.

"Through our Rural Areas Development program we are applying more of the resources of the Department to help people make these adjustments. In this work, the Federal Extension Service with its ties to the Land-Grant Colleges and local groups, is in a strategic role to help people organize for economic growth, to assist them to evaluate their resources and opportunities, and to provide necessary information. The Extension Service has been shifting its emphasis in this direction. We expect Rural Areas Development will receive even more emphasis in Extension work in the future.

"Important, also," said the Secretary, "is a strengthening of the family farm—by facilitating basic adjustments in resource use and farm organization, developing improved marketing, strengthening farmers' cooperatives, and other institutions important to farm businesses and farm families. These are areas of demonstrated Extension competency, important in serving today's needs.

"And equally important are the increased efforts by Extension to help rural youth prepare for future employment opportunities and to assist disadvantaged families in improving their levels of living and preparation for new opportunities."

Secretary Freeman added, "We ex-

pect the Federal Extension Service to vigorously carry out its responsibilities for initiating and coordinating the educational work of the Department, thus helping make the full resources of the Department more effective in serving these great needs and opportunities of rural people."

In naming Dr. Davis, the Secretary also said, "For the important position of Administrator of this Service we have sought a man with deep understanding of the problems and opportunities of people in agriculture and rural areas, a comprehensive understanding of the resources of this Department and the Land-Grant Universities, a dedication to public service, high administrative ability, and outstanding leadership qualities. As acting Administrator of the Federal Extension Service since June 1, 1963, Dr. Davis has demonstrated these characteristics."

In a letter to State Extension Directors at the time of his appointment Dr. Davis expressed these views on Extension work: "Past accomplishments of Cooperative Extension rest on a true spirit of cooperation between the USDA and the Land-Grant Universities, a necessary companion to Extension's cooperative structure. Through cooperation we have achieved a mutual acceptance of responsibility and a high degree of individual incentive and initiative. Such cooperation, acceptance of responsibility, and individual initiative will be essential as we move ahead." He added, "As I see it, the Federal Extension Service bears a heavy responsibility as it represents the USDA in this cooperative relationship—charged as it is with initiating and coordinating the educational work of the USDA and assisting the States in developing, conducting, and adminis-

tering Extension work.

"I share with the Secretary the belief that the major mission of Cooperative Extension is to use its educational competency to help people achieve their goals related to a revitalized rural America. And this, of course, includes a strengthening of the family farm, the development of expanded opportunity, and the conservation and development of all our resources."

Dr. Davis was educated at Cornell University. He received the B.S. degree in 1942, the M.S. degree in 1947, and the Ph.D. degree in 1951. Among his undergraduate honors were membership in Alpha Zeta, Phi Kappa Phi, Ag-Domecon Society, and Honum-de-kah (Cornell Honorary Agricultural Society).

The new Administrator served 4 years in the U. S. Army and was discharged with the rank of Major. He has spent most of the past 2 decades in Extension work, holding such positions as: Assistant County Agent, Wyoming County, New York; Associate Professor of Agricultural Economics, Cornell; Chief of the FES Fruit and Vegetable Marketing Branch; and Associate Director of Extension at the University of Massachusetts. He is a member of American Farm Economics Association.

Dr. Davis was born in Dyersburg, Tennessee in 1919 and spent his early life on a farm in northern Pennsylvania near LeRaysville. His father, Joseph Davis, now a poultry and fruit producer near LeRaysville, was county agent in Shelby County, Missouri from 1920-24.

His wife is the former Hazel McIntyre of Greensboro, North Carolina. They have four children: Diana 19; Linda 15; Donald 9; and Alan 5. ■